The Thrift Savings Plan

COURSE DESCRIPTION

The Thrift Savings Plan is a 45- to 60-minute course designed to provide detailed information on the Thrift Savings Plan (TSP) and to help learners understand how TSP can contribute to financial security during retirement. The instructor's guide contains trainer's notes, which provide supplemental information that can be used based on the knowledge and experience level of the group or to answer participants' questions. Because the military retirement system is expected to undergo future changes that affect TSP utilization, it is recommended that facilitators use the provided resource as well as direction from CNIC HQ to keep the course information up-to-date each time it is facilitated. Facilitator information for an optional, shortened version of this course is provided at the end of the course content. The shortened course can be used when instructors have less than 45 to 60 minutes to facilitate the session or to customize a course to meet command needs.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to explain the benefits of the TSP as part of a comprehensive retirement plan.

Enabling:

- In the *TSP and You: Why, How and How Much?* activity, learners will identify at least two examples for each of the following: benefits of the participating in the TSP, investment considerations before participating in the TSP and differences between the traditional and Roth TSP options.
- In the *TSP and You: Funds, Options and Choices* activity, learners will correctly answer 10 fill-in-the-blank questions about TSP funds and investment options.
- In the *TSP and You: Withdrawals and Loans* activity, learners will identify at least four important aspects of both TSP withdrawal options and TSP loan programs.

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COURSE PREPARATION

Handouts:

- *The Thrift Savings Plan: Wealth-Building Made Easy*
- *TSP and You Workbook*

Materials (vary depending on activities chosen):

- Pens, pencils, markers
- Paper
- Index cards or notecards
- Chart paper or whiteboard
- Internet connection (where available)
- *The Thrift Savings Plan* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *TSP and You: Why, How and How Much?*: A review exercise in which learners create a list of points intended to persuade someone to participate in TSP by explaining benefits, investment considerations and tax treatment options.

- *TSP and You: Funds, Options and Choices*: A fill-in-the-blank quiz to test for comprehension on TSP fund information and investment options.
- *TSP and You: Withdrawals and Loans*: A review activity in which learners present briefs summarizing the content information on TSP withdrawals and loans.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. Thrift Savings Plan Overview (15 minutes)
    a. What is the Thrift Savings Plan
    b. Managing Your Account
    c. TSP Benefits
    d. Investment Considerations
    e. Tax Treatment Options
    f. TSP Contributions
    g. Compound Interest and Opportunity Cost
    h. Learner Activity: *TSP and You: Why, How and How Much*
3. TSP Investment Funds and Options (25 minutes)
    a. Index-based Funds
    b. Lifecycle Funds
    c. Investment Approaches
    d. Learner Activity: *TSP and You: Funds, Options and Choices*
4. Retrieving TSP Funds (10 minutes)
    a. Post-separation Withdrawals
    b. Withdrawal Options
    c. Withdrawals and Taxes
    d. TSP Loan Program
    e. Learner Activity: *TSP and You: Withdrawals and Loans*
5. Summary (5 minutes)
    a. Resources

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Trainer's note: Distribute the *Thrift Savings Plan: Wealth-Building Made Easy* handout to learners.

SLIDE 1

The purpose of this class is to provide you with detailed information about the Thrift Savings Plan (TSP) and to help you to understand how the TSP can assist in providing financial security during your retirement.

AGENDA

SLIDE 2

To achieve these goals, we will be covering the following topics:

- TSP Overview
- Account Management
- Contributions
- Investment Funds and Options
- Withdrawals and Loans
- Resources

THRIFT SAVINGS PLAN OVERVIEW

Trainer's note: Distribute the *TSP and You Workbook* handout and explain to learners that they are to use this handout to fill in information that will help them participate in and manage their TSP funds. This information will be used throughout the training and with each class activity.

WHAT IS THE THRIFT SAVINGS PLAN?

SLIDE 3

The TSP is a retirement savings and investment plan sponsored by the federal government. It is a "qualified" defined-contribution plan, meaning the retirement income you receive will be determined by how much is contributed during your working years plus earnings accumulated over time. This is distinguished from a defined-benefit plan, which is a specific amount payable to you usually in return for years of service, such as military retirement pay or a pension.

The TSP is provided to federal employees and all members of the uniformed services, including active duty and the Ready Reserve. It offers the same types of savings and tax benefits that many private companies offer their employees, often referred to as 401(k) plans. These types of plans allow you some options in the amount you want to contribute as well as which investment options you choose within certain guidelines.

> ***Trainer's note:*** As of 2016, it is expected that service members will be automatically enrolled in TSP with specific rates of mandatory service member contributions, government matching contributions and vesting based on years of service (YOS). Refer to the TSP website for the most recent updates at www.tsp.gov.

TSP Benefits

SLIDE 4

There are multiple benefits to participating in the TSP.

Automatic investing: TSP contributions are deducted from your paycheck automatically, which ensures regular, disciplined investing. It is easy to start and it is easy to adjust. Most transactions can take place over the phone, on the TSP website or via myPay.

Minimal costs: The TSP has very low administrative costs and investment expenses, which maximizes your rate of return.

Traditional or Roth contributions: You have a choice of selecting pretax contributions with tax-deferred earnings (traditional), or after-tax contributions with tax-free earnings at retirement (Roth).

Multiple investment options: You have a choice of diversified investment funds or you can select from professionally designed lifecycle funds containing a mix of stocks, bonds and government securities.

Withdrawal options: Unlike a traditional military pension that requires you to remain in the service for 20 years, the TSP funds belong to you even if you separate from the military before reaching retirement age. You may also be able to take a loan against your contributions and earnings under certain circumstances.

Designated beneficiaries: You choose who you would like to receive the funds in the TSP in the event of your death, to include your spouse, children, parent(s) or other beneficiary.

Managing Your Account

SLIDE 5

You have multiple sources of help when it comes to maintaining your TSP account. Once established, you can use the myPay website, the TSP website and the telephone customer service line (the "ThriftLine") to manage your account.

Trainer's note: TSP enrollment is currently voluntary and can be done through the myPay website at any time at https://mypay.dfas.mil/. Check for the latest participation rules and guidelines at www.tsp.gov and adjust the information about managing an account accordingly.

Beneficiary Participant Account Number: Upon enrollment, the TSP will send you a welcome letter containing your 13-digit TSP Beneficiary Participant Account Number. This account number (or customized ID you choose) is the TSP's primary means of identifying your account, and it can be found on your quarterly and annual statements. You will use this number when accessing your account on the TSP website or ThriftLine. If you forget your account number, you can use the TSP website or the ThriftLine to request to have one mailed to you.

TSP website password: The TSP will also mail you a password to use with your Beneficiary Participant Account Number (or customized ID) on the TSP website. The website provides timely information about your account and the TSP investment options. You can view your participant statement online to check on the status of your account and to make changes to your account. However, to change your contribution amounts, you must go through your myPay account.

ThriftLine PIN: You will also receive a personal identification number (PIN) in the mail that can be used with your account number to access your account information and perform certain transactions on the ThriftLine. Your PIN is encrypted in the TSP system and is not accessible to TSP representatives. For security reasons, the TSP will only mail your PIN to your address of record, if requested. The TSP will not send it through email.

Retirement calculators: The TSP website also provides calculators to help you determine the future value of your investment, estimate loan payments and determine what monthly payments your account could provide in the future.

Designation of beneficiary: Upon enrollment, you will be asked to designate a recipient, or "beneficiary," for your TSP account in event of your death. You should ensure your Designation of Beneficiary (TSP-3) form is current at all times, because it takes precedence over a will, prenuptial agreement, separation agreement, property settlement or any other directive governed by the laws of any state. Life events such as marriage, the birth or adoption of a child, a divorce or even the death of a beneficiary might necessitate a change so that, in the event of your death, the money in your TSP account will be distributed according to your wishes.

> ***Trainer's note:*** The Designation of Beneficiary (TSP-3) form can be downloaded from the TSP website and mailed to the address on the form. If no form is submitted, funds of a deceased beneficiary will be distributed according to the "statutory order of precedence" (i.e., spouse, children, parents, estate administrator, other surviving relatives). For more information, refer participants to the TSP website.

Investment Considerations

SLIDE 6

How much you should invest in the TSP, and which fund you choose, depend on several factors, such as:

Your retirement needs: Only you can determine your retirement needs based on your desired standard of living, your expenses (including any medical costs) and your target retirement age. Using a TSP calculator, you can start to estimate your retirement goals based on your current income.

Your knowledge about investing: The TSP is an especially attractive option for people new to investing or who do not want to take a lot of time to do their own research. It offers multiple funds to support diversification (spreading your money among different investments and different risk tolerances).

Your time horizon: The TSP is designed to help achieve long-term retirement-planning goals. It has different investment advantages to be used depending on time horizon (how many years you will have before you need to start withdrawing money from your account). The younger you are, the more the TSP can work for you.

Your current investments: If you are new to investing, the TSP may offer an excellent way to get started on an automatic investment plan. If you are already investing, you should consider how the TSP can fit into your overall strategy. It may not be wise to commit all of your available investment dollars to the TSP, because you need to consider this money "tied up" until age 59½ and it will also affect how much is deducted from your paycheck.

Automatic and matching contributions: Some TSP plans include an automatic contribution to your TSP account, such as 1 percent of your basic pay each pay period. These funds may be subject to "vesting" rules, requiring you to work a specified amount of time before having access to them, as well as any earnings they accrue. As an added bonus, some TSP plans will "match" the funds an individual contributes up to a certain amount (such as 5 percent).

Tax Treatment Options

SLIDE 7

You have several options to determine how you would like your contributions managed for tax purposes, referred to as "tax treatments." Each option provides generous tax breaks, but it is a matter of timing when you get to claim them.

Traditional (pretax) contributions: Traditional, or pretax contributions, are not taxed when you deposit them in your TSP account. This lowers your current taxable income and gives you a tax break today. Generally, the longer you are able to keep your money in the TSP, the more earnings you accrue. The money grows in the account tax-deferred, but you will have to pay federal income taxes on these contributions and their earnings when you withdraw them (although you will not owe taxes on any tax-exempt contributions in your account).

Roth (after-tax) contributions: Roth, or after-tax contributions, are taxed when you deposit them into your Roth TSP account. Because they are taxed up front, more money comes out of your paycheck now. You will not have to pay federal income taxes on Roth contributions and earnings when you withdraw them, however, which will increase the amount of money you can spend in retirement.

Upon TSP enrollment, your contributions will automatically default to a traditional account unless you submit a contribution election for any funds you want designated as Roth.

Traditional and Roth contributions: You can make contributions to both traditional and Roth accounts in any percentages or amounts you want. The introduction of the Roth contributions in the TSP gives you the opportunity to diversify the tax treatment of the money in your account. Your account will then be made up of two separate "pots" of money with separate balances.

TSP Contributions

SLIDE 8

Each pay period, contributions in the amount or percentage you choose will be made through payroll deductions and shown on your Leave and Earnings Statement (LES).

> ***Trainer's note:*** Verify the current elective and catch-up contribution limits on the TSP website or by contacting the ThriftLine. Elective deferrals do not include automatic or matching contributions because those contributions are not considered part of your pay. They also do not include traditional contributions from tax-exempt pay earned in a combat zone.

Contribution limits: The Internal Revenue Code (IRC) places limits on the dollar amount of contributions you can make to the TSP in any given year. The Internal Revenue Service (IRS) calculates the limits annually, and they can change. The TSP announces the limits on its website, the ThriftLine and other publications when the limits become available.

Elective deferrals: Elective deferrals are amounts that you ask your employer to deduct from your pay and contribute to your TSP account on your behalf (including the combined total of all tax-deferred traditional contributions and all Roth after-tax contributions). You can contribute up to 100 percent of your basic pay each month up to (but not exceeding) the total elective deferral limit set by the IRS.

Special pay contributions: You can also contribute up to 100 percent of any incentive, bonus or special pays up to the annual limit, as long as you elect to contribute at least 1 percent from basic pay. Your total contributions from all types of pay must not exceed the applicable IRS elective deferral limit.

Transfer funds: In addition to contributions from your pay, you can also transfer funds from a traditional IRA or eligible employer plan into your TSP account. Transfers into the TSP can be done anytime, even after you separate from military service.

> ***Trainer's note:*** Transfers require that participants complete form TSP-60 (or TSP-60R for a Roth IRA), Request for a Transfer into the TSP, and forward the form to the IRA administrator. The IRA administrator will verify that TSP is an eligible retirement plan and then forward the TSP form, along with a check for the proceeds in the account, to the TSP Service Office.

Catch-up contributions: Catch-up contributions are supplemental tax-deferred contributions available to TSP account holders age 50 or older who are already contributing the maximum amount of regular TSP contributions. These contributions have their own annual limit separate from the annual limit for regular deferral contributions.

Compound Interest and Opportunity Cost

SLIDE 9

> ***Trainer's note:*** This PowerPoint slide contains animations.

The benefit of a long-term disciplined investment plan is allowing the power of compound interest and time to work for you. Here is one more example of how money can grow over time. If you invest $3,000/year in a TSP account for six years starting at age 21, and never add to it, you come out with $144,000 when you retire at age 66 (assuming a 5 percent rate of return). If, however, you pull out $7,800 for the down payment on your car five years in and do not replace it or make additional contributions, your earnings will drop to $86,000. In other words, you could say that the car did not cost you $7,800 but $50,000 when your account for the lost growth. The message: save regularly, and leave your savings alone to grow.

LEARNER ACTIVITY: ***TSP and You: Why, How and How Much?***

Time: 10 minutes

Materials: The *TSP and You Workbook* handout, chart paper or whiteboard and markers.

Procedure: Write the activity topics (listed below) on separate sheets of chart paper or different sections of a whiteboard. Divide the class into three groups. Assign one of the three following topics to each group:

- Why should I participate in TSP?
- How do I choose how much to contribute to TSP?
- How do I choose between a traditional and Roth TSP account?

Tell learners that they are to imagine that after this class they are asked by a friend why he or she should invest money in the TSP. Explain that they are to provide as much information as possible and in a way such that they could really sell their friend on the TSP. Explain that they can use their notes, handouts or any other resource materials to complete their list. Using their chart paper, scrap paper or designated whiteboard space, instruct Group 1 to list all of the benefits of the TSP. Tell Group 2 that they should list factors that should be considered in determining a TSP contribution amount. Direct Group 3 to explain the pros and cons associated with a traditional and Roth TSP account. Give the learners about five minutes to complete their list and then ask each group to choose a spokesperson to present the information to the class. Urge learners to present the material as if they were telling it to their friend. Fill in information as necessary for clarity.

TSP INVESTMENT FUNDS AND OPTIONS

Index-based Funds

Trainer's note: Each index fund is invested in order to replicate the risk-and-return characteristics of its appropriate benchmark index. The Fixed Income Index Investment (F) Fund is designed to track the Barclays Capital U.S. Aggregate Bond Index (formerly Lehman Brothers U.S. Aggregate [LBA] Index). The Common Stock Index Investment Fund is designed to match the performance of the Standard & Poor's 500 (S&P 500) Index. The Small Capitalization Stock Index Investment is designed to track the Dow Jones U.S. Completion Total Stock Market (TSM) Index. The International Stock Index Investment Fund is designed to match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index. The average rates of return for index and lifecycle funds since their inception can be found on the TSP website.

SLIDE 10

The TSP has five individual investment funds, referred to as index-based funds. This means these investments are a selection of many widely diversified stocks or bonds that represent a chosen market index to track, such as the Standard and Poor's 500 (S&P 500).

While many financial experts maintain that this is one of the best ways to invest for the long term, each of these investment funds, like any investment, involves risk. For some investments, risk may include the loss of principal. The tendency of investments to experience ups and downs is referred to as volatility. While risk can be minimized through diversification, you should be aware of the risks associated with the investments you choose.

G Fund: The Government Securities Investment Fund invests in short-term U.S. Treasury securities specially issued to the TSP. The objective of the G Fund is to maintain a return rate that is higher than inflation without exposing the fund to risk of default or changes in market prices. The U.S. government guarantees payment of principal and interest, so there is no risk of loss of principal and very little volatility of earnings.

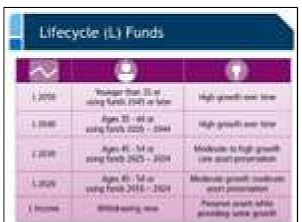
F Fund: The Fixed Income Index Investment Fund invests in government and corporate bonds. This fund offers the opportunity to earn rates of return that exceed money market fund rates over the long term with relatively low risk. It carries some market risk (the risk that the value of the bonds will decline when interest rates rise) and prepayment risk (the risk that the bonds are repaid before it matures, reducing their returns).

C Fund: The Common Stock Index Investment Fund invests in a broadly diversified portfolio of stocks of large and medium-sized U.S. companies that offers the potential for high investment returns over the long term. However, they can be volatile depending on the performance of the stock market.

S Fund: The Small Capitalization Stock Index Investment Fund invests in small and medium-sized companies in the United States. While it also offers the potential for high investment returns over the long term, it experiences moderate to high volatility associated with market risk.

I Fund: The International Stock Index Investment Fund invests in the stocks of companies in developed countries outside the United States. There is a moderate to high volatility in response to changes in overall economic conditions (market risk) and fluctuations the value of the U.S. dollar (currency risk).

Lifecycle (L) Funds



SLIDE 11

Lifecycle, or L Funds, consist of five prepackaged portfolios that contain a mix of G, F, C, S and I Funds. They are professionally managed, making them an easy option if you do not have the time, experience or interest in managing your own account.

The L funds are based on different time horizons of when you will need the money. The assumption underlying the L Funds is that the longer your time horizon, the more risk you are able to tolerate while seeking higher returns. The funds automatically adjust to become more conservative over time to minimize risk. However, they are not guaranteed against loss because they are subject to the risks inherent in the underlying funds, which have periods of gain and loss.

The L fund is also the default option when enrolling in the TSP. If you do not select a specific TSP fund, your money will be automatically allocated to the L fund for your time horizon.

Investment Approaches

SLIDE 12

There are two investment approaches to using the TSP: choosing an L fund or choosing your own investment mix.

Choosing an L fund: You can keep it simple by letting the L funds manage the mix for you. Simply choose the fund that fits your time horizon by determining when you will need to use the money. Since L funds are a professionally designed mix and are reallocated quarterly, you do not have to worry about allocations of funds either now or in the future.

Managing your own mix: You can also choose to invest in any individual fund or combination of funds. If you choose to manage your own mix, you need to determine the correct asset balance based on your age, time horizon and risk tolerance. You can allocate your contributions to any of the five TSP investment funds in any whole percentage amount. The longer your time horizon, the more aggressive you can usually be with your investments.

Diversifying your investments by contributing to more than one fund will allow you to reduce the level of risk. However, you will need to rebalance your mix on an annual basis and reduce your risk as you get closer to retirement age. For example, you may want to move bond money from the F Fund to the G Fund or move stock money from the I and S Funds to the C Fund.

Interfund transfers: You can transfer money among your TSP investments (interfund transfer) by choosing a new percentage you want invested in each fund. You cannot move specific dollar amounts among the funds. If you have traditional and Roth balances in your account, your interfund transfer will move a proportional amount from each type of money into the funds that make up your new investment allocation. Each calendar month, your first two interfund transfers may redistribute money in your account among any or all of the TSP funds. After the first two, your interfund transfers can only move money into the G Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds). If you have more than one TSP account, these rules apply to each account separately.

LEARNER ACTIVITY: *TSP and You: Funds, Options and Choices*

Time: 10 minutes

Materials: *The TSP and You Workbook* handout

Procedure: Instruct learners to turn to Page 5 in their *TSP and You Workbook* handout. Tell learners that they are to write in the answers to the statements in their workbook. When learners have completed the statements, review the answers with the class. Correct answers are listed here in bold.

1. The **G Fund** earns interest without any risk of loss of account principal.
2. The amount of time until you will begin using your retirement income is your **time horizon**.

3. The objective of the **C Fund** is to match the performance of the Standard & Poor's 500 (S&P 500) index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
4. The **Lifecycle funds (or L funds)** are professionally designed mixes of securities, bonds and stocks based on a chosen time horizon.
5. The objective of the **F Fund** is to match the performance of the Barclays Capital U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.
6. The objective of the **I Fund** is to match the performance of the MSCI EAFE (Europe, Australasia, and Far East) Index.
7. Many financial experts maintain that investing in **index-based funds** (**TSP also acceptable**) is one of the best ways to invest for the long term.
8. The objective of the **S Fund** is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500.
9. There is risk involved in every type of investment tool, and the tendency of investments to experience ups and downs is referred to as **volatility**.
10. The longer your time horizon, the more **aggressive** (risky also acceptable) you can usually be with your investments.

RETRIEVING TSP FUNDS

SLIDE 13

Remember that the purpose of the TSP is to save money for retirement. It is not meant to be a savings account from which to make withdrawals. Therefore, there are rules that restrict when and how you can take money out of your account. There are three options for retrieving your TSP funds:

In-service withdrawal: Funds taken out of your TSP while you are in the military service are referred to as in-service withdrawals. There are two types: financial hardship in-service withdrawals and age-based in-service withdrawals (after age 59½). With in-service withdrawals, there are federal, and in some cases, state income taxes on the taxable portion of the withdrawal, and you may also be subject to a 10 percent early withdrawal penalty. Spousal consent is also required.

Post-separation withdrawal: Money taken out of your TSP after your military service is referred to as a post-separation withdrawal. You have the option of making a one-time, partial withdrawal of $1,000 or more, or you can make a full withdrawal.

Loans: Loans are available to participants who are actively employed, who are in pay status and who have contributed their own money to TSP.

> ***Trainer's note:*** Some withdrawal options and loans are subject to spousal consent. Spousal consent may be required even if the couple is separated.

Post-separation Withdrawals

SLIDE 14

Once you separate from military service, there are several withdrawal options within the TSP. If you separate or retire before age 59½, you can:

- Leave your money in the TSP and let it keep accruing earnings.
- Transfer the account to a rollover IRA or a new employer's plan.
- Continue to contribute through eligible transfers into your TSP.
- Withdraw the funds.

You can also opt for a mixed withdrawal, which is a combination of any of the options listed. If you choose to withdraw the funds before age 59½, you will be subject to a 10 percent penalty, in addition to forfeiting future income from these investments. Although you are not required to begin making withdrawals at age 59½, you are required to begin a minimum annual withdrawal by age 70½. If you have less than $200 in your account when you leave military service, it will be automatically cashed out as a withdrawal with no penalty.

Withdrawal Options

SLIDE 15

In addition to a partial-withdrawal option, there are three options for making a full withdrawal of the funds in your TSP account. You may choose one or any combination of these options. Spousal consent may apply.

Single payment: A single payment allows you withdraw your entire TSP account at one time, in one payment. It is also referred to as a "lump sum."

Monthly payments: TSP monthly payments allow you to withdraw your entire account in a series of payments that will be made to you each month. You can ask for a specific dollar amount ($25 or more) or have the TSP calculate a monthly payment based on your life expectancy.

An annuity: You can also opt to have the TSP purchase an annuity on your behalf with a private insurance company. An annuity pays a benefit to you (or your survivor) every month for life. Once an annuity is purchased, it cannot be changed.

> ***Trainer's note:*** If a life annuity is chosen with only one type of balance (traditional or Roth), there must be $3,500 in the account, and if only a portion of the account is used, the percentage chosen must equal $3,500 or more of the vested account balance. If choosing an annuity with both a traditional and Roth balance, the $3,500 threshold applies to each balance separately. The TSP will purchase two annuities (one with the traditional balance and one with the Roth balance).

Withdrawals and Taxes

SLIDE 16

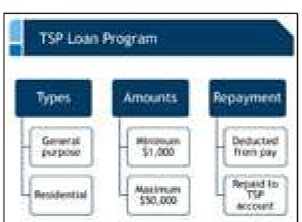
Traditional contributions: When you withdraw money from a traditional TSP account, you will owe taxes on any (tax-deferred) contributions and the earnings they have made (except contributions made from tax-exempt pay). You can continue to defer taxes by transferring or rolling over your TSP withdrawal payment to a traditional IRA or eligible employer plan. You can also transfer payment to a Roth IRA, but you would have to pay taxes on it in the year of the transfer.

Roth contributions: Your Roth contributions have already been taxed, so you will not owe any further taxes on your contributions. Whether the Roth earnings portion of any annuity payment is taxed depends on whether it meets the IRS rules for "qualified" earnings. If earnings are not qualified, you can defer paying taxes on them by leaving your money in the TSP or rolling them over to a Roth IRA or Roth account maintained by an eligible employer plan.

> ***Trainer's note:*** Earnings are qualified if five years have passed since Jan. 1 of the calendar year in which the TSP participant first made a TSP Roth contribution (the entire account will be paid out tax-free).

Once money is transferred out of the participant's account, a distribution will only be considered qualified and paid out tax-free if five years have passed since the first Roth contribution was made and the participants are at least 59½, permanently disabled or deceased.

TSP Loan Program



SLIDE 17

You can access your TSP contributions and earnings in the form of a loan while you are a member of the uniformed services. You must be in pay status to obtain a loan, because your regular monthly loan payments, including interest, are made through payroll deductions.

Types of loans: There are two types: a general-purpose loan and a loan for the purchase of a primary residence. No documentation is needed for a general-purpose loan, which has a repayment period of one to five years. A residential loan can be used only for the purchase or construction of a primary residence, which does require documentation (such as a contract). Residential loans have a repayment period of one to 15 years.

Loan amounts: The total amount you can borrow is limited to your own contributions and their earnings. The minimum loan amount is $1,000 and the maximum loan amount is $50,000. You can find out the amount you may be eligible to borrow by visiting the TSP website or calling the ThriftLine. You can estimate your loan payment amount before requesting a loan using the Estimate Loan Payments calculator on the TSP website.

Repayment: Loan repayments are made through payroll deductions. The interest rate you pay for the life of the loan is the latest available interest rate for the G Fund at the time your application is processed. The interest you pay on the loan will go into your TSP account, along with repayments of the loan principal, and a processing fee.

Ultimately, what you should remember is that TSP is meant to be a retirement saving and investment program. Although funds are restored to your account when your loan payments are posted, borrowing from your account will affect the final account balance available for your retirement. If you need a loan, you should first look to other resources rather than tapping into your retirement funds. Failing to repay your loan or missing payments have significant financial consequences.

Trainer's note: Because the TSP investment funds have different rates of return, the interest paid on the loan (at the G Fund rate) is likely to be different from the rates of return on the other TSP funds. The earnings in the account when the loan is repaid in full are likely to be different from what the earnings would have been if the participant had not borrowed from the account. Reservists who drill only monthly (or less) should think seriously before taking a loan, because they may be unable to make the required monthly payments. Missed payments could result in negative tax consequences.

LEARNER ACTIVITY: *TSP and You: Withdrawals and Loans*

Time: 10 minutes

Materials: Index cards

Procedure: Before the course begins, prepare index cards by writing a review topic on TSP withdrawals or loans onto each card. Suggested review topics include: Types of loans, withdrawal options, loan limits and fees, and early withdrawal of TSP funds.

Divide the class into pairs or groups (depending on the size of the class) and give each team a review topic. Instruct learners to use the information from their handouts and notes to develop a quick review of their topic for the rest of the class. Explain that they can use any method they choose to present the information to the class. Give learners a couple of minutes to develop their information and explain that they will have one minute to give their "brief." Allow each pair or group to present their information and then follow up to fill in information gaps or to answer questions.

SUMMARY AND CONCLUSION

SLIDE 18

To conclude today's course, here are a few things to stress about the TSP:

- The TSP is a defined-contribution plan similar to a 401(k).
- The TSP offers tax-deferred earnings.
- The TSP offers a choice of investment options.
- The TSP offers a loan program and flexible withdrawal options.
- The TSP offers you a great opportunity to build wealth!

RESOURCES

SLIDE 19

If you need additional information about the Thrift Savings Plan or investing for your future, check out these resources:

- TSP website: www.tsp.gov
- TSP ThriftLine: 1-TSP-YouFirst (1-877-968-3778)
- TSP4gov YouTube Channel
- Twitter: @tsp4gov
- Command Financial Specialist
- Financial educator at FFSC

OPTIONAL SHORT COURSE

The following instructions and topics allow you to facilitate this course in 15 to 30 minutes. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides.

Time: 15 to 30 minutes

Handout: *The Thrift Savings Plan*

Topics:

Welcome and Introduction

Slide 1 and 2: Start with a brief introduction of yourself and the topic. Pass out the course handouts and tell learners that the handouts provide a review of content covered in this course (or brief) as well as additional content not covered in detail. Briefly review the agenda. Provide the *TSP and You Workbook* (handout) and encourage learners to take notes as needed.

TSP Overview

Slides 3 and 4: Review the fundamental concepts and benefits of TSP. Time permitting, allow any knowledgeable attendees to share their experiences with the program. Briefly cover the steps to managing an account and investment considerations on Slides 5 and 6. Slide 7: Review the tax treatment options, explaining the difference between traditional and Roth TSP accounts in as much detail as necessary. Slide 8: Briefly explain the various types of contributions and their limits. Slide 9: Discuss the opportunity cost of lost interest through the example provided. Omit the TSP and You: Why, How and How Much activity.

TSP Investment Funds and Options

Use Slide 12 to briefly define and discuss the differences between index-based funds and lifecycle funds, skipping Slides 10 and 11. Assign the Funds, Options and Choices Quiz as a postsession activity, checking their answers against The Thrift Savings Plan handout.

Withdrawals and Loans

Omit the TSP and You: Withdrawals and Loans activity. If time permits and Internet connection is available, consider doing a virtual field trip to the TSP website and demonstrate how to use the Estimate Loan Payments calculator.

CONCLUSION

Slides 18 and 19: Review the summary points and sources of help, highlighting the availability of in-person, online and social media outlets. End the course/brief by inviting learners to attend the full Thrift Savings Plan course and to visit their CFS or FFSC financial counselor for additional information and assistance.

NOTES:

The Thrift Savings Plan (TSP)
Wealth-Building Made Easy

The TSP is a retirement savings and investment plan. It can provide income in addition to your military pension and Social Security, helping to build financial stability and independence at retirement.

DESCRIPTION AND BENEFITS:

- Defined-contribution plan, similar to a 401(k)
- Individual accounts
- Automatic payroll deductions
- All contributions and earnings belong to the owner
- Contributions are made with pre-tax dollars
- Earnings are tax-deferred or tax-free depending on the type of TSP plan (i.e., traditional or Roth)
- Multiple fund investment options
- Minimal administrative and investment costs
- Multiple withdrawal options once you reach retirement age

PARTICIPATION RULES:

- Open to federal employees and uniformed service members
- Can join at any time
- Can contribute up to 100 percent of base pay each year up to a maximum annual contribution ($18,000 in 2015; $53,000 in a tax-free zone)

TREATMENT OF...	TRADITIONAL	ROTH
Contributions	Pre-tax	After-tax
Take-home Pay	Taxes are deferred, so less money is taken out of your paycheck	Taxes are paid up front, so more money comes out of your paycheck
Transfers In	Transfers allowed from eligible employer plans and traditional IRAs	Transfers allowed from Roth 401(k)s, Roth 403(b)s and Roth 457(b)s
Transfers Out	Transfers allowed to eligible employer plans, traditional IRAs and Roth IRAs	Transfers allowed to Roth 401(k)s, Roth 403(b)s and Roth 457(b)s and Roth IRAs
Withdrawals	Taxable when withdrawn	Tax-free earnings if five years have passed since Jan. 1 of the year you made your first Roth contribution, and you are age 59½ or older, or you are permanently disabled or deceased.

Source: Summary of the Thrift Savings Plan, September 2015.

INVESTMENT OPTIONS:

- Individual Funds
  - G Fund: Government Securities Investment Fund
  - F Fund: Fixed Income Investment Fund
  - C Fund: Common Stock Index Investment Fund
  - S Fund: Small Cap Stock Index Investment Fund
  - I Fund: International Stock Investment Fund
- Lifecycle Funds (a professionally designed mix of stocks, bonds and government securities)
- Loans: Under certain circumstances, you can borrow from your TSP account. Check the TSP website for details.

TSP RESOURCES:

- TSP website: www.tsp.gov
- TSP Thriftline: 1-TSP-YOU-FRST (1-877-968-3778)
- YouTube: TSP4gov
- Twitter: @tsp4gov
- Defense Finance and Accounting Service (DFAS): www.dfas.mil/civilianemployees/employeebenefits/TSP.html
- Military OneSource: www.militaryonesource.mil/pfm/saving-and-investing-basics?content_id=267395

GLOSSARY OF TERMS

After-tax Contributions – Contributions that are made after taxes have been taken from pay (i.e. Roth).

Automatic Contributions – Contributions deducted from pay and added to a TSP account by an employer.

Annuity – Guaranteed monthly income for the life of the TSP participant or survivor after separating from federal service.

Asset Allocation – The process of choosing among different kinds of assets such as stocks and bonds that will be included in an investment portfolio.

Beneficiary – The individual or entity that receives your TSP account balance (or a portion of it) at your death.

Bond – A debt security issued by a government entity or a corporation to an investor from whom it borrows money.

Catch-Up Contributions – Contributions which are made via payroll deductions by a participant age 50 or older and are permitted to exceed the Internal Revenue Code (IRC) elective deferral limit.

Contribution – A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her employer.

Currency Risk – The risk that the value of a currency will rise or fall relative to the value of other currencies.

Elective Deferral Limit – An annual dollar limit, established under the Internal Revenue Code (IRC), that limits the contributions a participant can elect to make to plans like the TSP.

Eligible Employer Plan – A plan regulated under Internal Revenue Code (IRC), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan.

Eligible Rollover Distribution – A distribution from the TSP that is eligible to be transferred or rolled over to an IRA or eligible employer plan.

Fixed Income Investments – Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Index – A broad collection of stocks or bonds which is designed to match the performance of a particular market.

Inflation Risk – The risk that investments will not grow enough to offset the effects of inflation.

In-service Withdrawal – A disbursement made from a participant's account which is available only to a participant who is still employed by the federal government, including the uniformed services.

Interfund Transfer (IFT) – A redistribution of different TSP funds within an account.

Market Risk – The risk of a decline in the market value of stocks or bonds.

Matching Contributions – Contributions up to a certain limit made by an employer to TSP accounts for participants who have also contributed their own money.

Post-separation Withdrawal – A distribution from a participant's account which is available only to participants who have left federal service or the uniformed services.

Prepayment Risk – The probability that if interest rates fall, bonds that are represented in the index will be paid back early, thus forcing lenders to reinvest at lower rates.

Pre-tax Contributions – Contributions of pay that have not yet been taxed. All employee contributions to a TSP traditional balance are made pre-tax.

Qualified (earnings) – Roth earnings are qualified (i.e., paid tax-free) when two conditions have been met: 1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, and 2) you have reached age 59½, become permanently disabled, or have died.

Required Minimum Distribution (RMD) – The amount of money that the IRS requires be distributed to a participant each year after the participant has reached age 70½.

Risk (Volatility) – The amount of change (both up and down) in an investment's value over time.

Roth Contributions – Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited into a Roth balance.

Roth IRA – An individual retirement account that provides tax-free earnings.

Securities – A general term describing a variety of financial instruments, including stocks and bonds.

Stocks – Equity securities issued as ownership in a publicly held corporation.

Tax-exempt Contributions – Contributions of money to a TSP traditional balance that will never be taxed.

Time Horizon – The future point when withdrawals from an account are expected to begin.

Traditional IRA – A traditional individual retirement account or an individual retirement annuity with contributions from pay that have not yet been taxed. Also referred to as "tax-deferred," "pre-tax," or "non-Roth" contributions.

Vesting – The time in service a TSP participant must have in order to keep automatic contributions and earnings.

Source: Glossary of Terms available at www.tsp.gov.

TSP and You Workbook

Use this handout to fill in information that will help you participate in and manage your TSP funds. Information you complete in this workbook can be used in each class activity.

Thrift Savings Plan

What is the TSP?

TSP Benefits

Managing Your Account

Investment Considerations

Tax Treatment Options (Traditional and Roth)

TSP Contributions and Limits

TSP Investment Funds and Options

Index-based funds:

G Fund:

F Fund:

C Fund:

S Fund:

I Fund:

Life-cycle funds:

Investment Approaches

Notes

Activity: TSP and You: Funds, Options and Choices

Fill in the blank with the correct answer to the questions below.

1. The ______________________________ earns interest without any risk of loss of account principal.

2. The amount of time until you will begin using your retirement income is your ______________________.

3. The objective of the ______________ is to match the performance of the Standard & Poor's 500 (S&P 500) index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.

4. The ____________________ are professionally designed mixes of securities, bonds and stocks based on a chosen time horizon.

5. The objective of the ______________ is to match the performance of the Barclays Capital U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.

6. The objective of the ______________ is to match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index.

7. Many financial experts maintain that investing in ____________________ is one of the best ways to invest for the long term.

8. The objective of the ____________________ is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500.

9. There is risk involved in every type of investment tool, and the tendency of investments to experience these ups and downs is referred to as __________________.

10. The longer your time horizon, the more _____________________ you can usually be with your investments.

Withdrawals

In-service Withdrawals

Post-service Withdrawals

Loans

Resources

Notes